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UNITED STATES DEPARTMENT OF AGRICULTURE

AGRICULTURAL ADJUSTMENT ADMINISTRATION

AAA

Farmers and the Surplus Problem

Adapted from extemporaneous remarks by Henry A. Wallace, Secretary of Agriculture, before the Conference of A. A. A. State Committeemen and others in Washington, D. C., August 11, 1938

Highlights.—Largely because of weather the agricultural problem in many respects is much more difficult today than it was last year. We are now finally faced with the situation that we would have been faced with several years ago if it had not been for the terrific droughts of 1934 and 1936.

The cotton situation is perhaps the most difficult one with which we are faced. There isn't any answer to it that doesn't have very great difficulties and disadvantages.

Wheat is trying to join cotton just as fast as possible. It's not quite there yet.

I think we can vision the moment as soon as this corn crop has an effect on the supply of hogs, when hog prices can easily go far down unless we do have genuine and quite complete cooperation in our Ever-Normal Granary Program.

Loans, whether on cotton or wheat or corn, are not designed to fix prices so much as they are to enable farmers to hold their stuff over on a very favorable basis until a time when they can sell on a more favorable market which may have to be created to some extent through their own efforts.

Give us 2 or 3 years of good corn crops and dairy products will be nearly as bad off as hogs, unless we have this Ever-Normal Granary Program in corn working properly. Dairy people are beginning to feel it now, though their situation is not as bad as that of the rest of the farmers on the export market whose prices are down to half of parity. Dairy prices are down to three-fourths.

I wish you would ask this about any extensive substitute program: Will it do any better in giving a fair share of the national income to farmers? Will it do any better in protecting consumers? Will it do any better in conserving the soil? Will it do any better in preserving long-time democracy in these United States? Ask that about any proposed substitute program.

Is it sound policy to attempt to greatly increase our production of export crops, to increase our exportation of soil fertility abroad and get nothing in return?

Will the Farmers Themselves Really Get In and Use This Program?

We are making our plans under much more favorable conditions in certain respects for the 1939 farm program than we did last year. It is good to have an extra month in which to get our rules and regulations out to the farmers. It is good to know that there is probably no major legislation coming which will change our rules and regu-

lations in any very fundamental manner. That is all to the good. We must recognize, however, that largely because of weather, partly because of business depression, partly because of world uncertainty, the agricultural problem in many respects is much more difficult today than it was last year or than it was 2 years ago, or perhaps even than it was 3 years ago. We are now finally faced with the situation that we would have expected to be faced with several years ago. We would have been faced with it if it had not been for the terrific droughts of 1934 and 1936.

Supply and demand situation.—Because of the very difficult problem flowing from normal weather, it is worth while, it seems to me, to carry your minds rather rapidly over the supply and demand situation as it exists for the great agricultural products of the United States in August of 1938.

First, let us examine that part of the agricultural problem which is found in the towns, the demand side of the equation which perhaps is just as important as is the supply side of the equation. The demand for agricultural products in the towns is not what it should be because the people are not employed. And there are certain definite reasons why they are not employed. The monopoly price practices, the price rigidities which are utilized, whether or not there are specific monopolies, have caused many great corporations to hold up the price of their products, even though it meant throwing hundreds of thousands of workers out into the streets. That is not impugning the good motives of corporation directors in any way—it is just part of the system as it has existed. And it has also been a part of the system as it has existed, that after a number of years of excess debt creation it becomes necessary to have a rest.

When I say excess debt creation, I am not referring to the Government debt creation. I am referring to the excess private debt creation of the twenties, which was enormously more significant than any Federal Government debt creation that has taken place since 1930. From 1923 to 1929 there was an increase in private debt of 40 billion dollars. That contrasts with an increase in Federal debt since 1930 of 21 billion dollars. There was an increase in debts of all kinds from 1923 to 1929 of 42 billion dollars. There has been an increase in debts of all kinds during the 6-year period (1932–38), just as the former period was a 6-year period, of only 6 billion dollars. In the 6 years of the late twenties the rate of debt increase was 7 billion dollars a year. During the past 6 years the rate of debt increase has been only a billion dollars a year, only one-seventh as great.

Private capital not active.—I am citing this situation because it has a very great bearing on the demand side of the equation. The excess debt creation from 1923 to 1929—the excess rate of debt creation and the quality of debt creation—was such that there had to be

a long period of rest. It was inevitable that there be an explosion and a long period of stagnation. It just couldn't be otherwise, because the purposes for which that money was spent were such that the owners of the factories could not sell the stuff at a price high enough to pay the interest on that increased debt. It couldn't be done. There had to be an explosion and a long period of stagnation. The result of the explosion was that private capital has been scared stiff ever since. It overplayed its hand for more than 7 years. It is rather natural that it would underplay its hand for a like period of time until it found its bearings again.

I am sure that all of us who believe in the capitalistic system as an integral part of the democratic system hope that private capital will eventually get its courage back, but it doesn't have its courage back today. It has been necessary steadily, beginning in 1930—a lot of these things didn't begin in 1933, mind you—it has been necessary steadily from 1930 to use certain amounts of Federal capital to take the place of the private capital. Otherwise there just wouldn't be any capitalistic system in the United States today, and there wouldn't be any democratic system. It just had to be done. From a purely economic point of view, the amounts of capital supplied from Federal sources as a substitute for what is necessary to give full employment in these United States are pitifully small. It wasn't enough to prevent unemployment. Taking into account the necessity of eventually getting private capital flowing, it was perhaps large enough, because none of us here wants to see Government capital completely taking the place of private capital. We merely want to see a tiding-over situation so that there won't be a major upset that would destroy the democratic system. I think, beginning in 1930, that that policy has been followed.

Now, what is the right rate of flow of capital? It seems to me that it would take at least 3 billion dollars a year of new capital, not the 1 billion we have had during the past 6 years, not the 7 billion we had during the late twenties, but more than 2 billion, probably more than 3 billion, undoubtedly less than 7, probably less than 5. I wanted to get that general picture to you because it does very definitely enter into the demand side of the agricultural problem. We won't have the city half of the agricultural problem solved until capital is flowing and debts are being created in the cities, or in the country as a whole, at the rate of at least 3 billion dollars a year.

It would seem, in view of the long rest which private capital has had since 1930, that we are almost compensated for that over-activity of private capital in the twenties. It seems as though we are coming close to the turn of the tide, but the turn is not here yet. Many people thought the turn had come in the fall of 1937. Many people in

Government thought the turn had come at that time. Many people in Government felt it was wise to take the advice of big business and withdraw Federal capital very rapidly. Then we found that a very rapid and sudden withdrawal could plunge us again into depression. So we think and hope we have learned the lesson that it is desirable for us to encourage private capital again to carry the burden it should carry. We have learned the lesson that as we withdraw Government capital we withdraw it sufficiently gradually that we don't get thrown into depression.

World situation unfavorable.—One point that has to do with giving courage to private capital is the general world situation. The general world situation also has to do with the demand for our farm products overseas. We all know the world situation is none too favorable. Nobody is to blame for that particularly. The situation is governed by forces that have been flowing out of the World War and out of the Treaty of Versailles. They are facts and you can't blink them. I think farmers tend to disregard those facts because so many of the farmers are located in the interior of the country and most of the papers in the interior of the country don't carry much foreign news.

Certain types of private capital won't flow until there is greater stability in the foreign situation. Certain types of foreign demand for our surplus farm products won't manifest themselves until there is greater certainty in this foreign situation. Until certain nations get through running their bluffs on each other, many people are going to feel that serious uncertainties enter into the farm problem, enter into the price you are going to get, and the number of bushels and bales you are going to market overseas.

At the present moment there is a trade agreement with Great Britain pending, by all odds the most important single trade agreement, perhaps as important as any half-dozen others put together. It has to do with foreign demand for our wheat, and our cotton, pork products, and our tobacco. We don't know how much luck we are going to have in this British agreement yet. We do know, however, that the State Department shows such great consideration for all domestic elements, whether in agriculture or in industry, that nothing very extreme will come out of it, that no very great damage will be done to any New England textile group and that it will bring no very great increase in the demand for our surplus agricultural products. I mean that is just simply the way that the trade agreements work because it is the way American people are. Nevertheless, I hope and believe that the British trade agreement will be very significant and quite helpful to agriculture.

Now, thus far, I have been dealing with that part of the farm problem that is found particularly in the cities, the demand side, and you will judge, I think from my rather sketchy analysis, that the demand

side is none too favorable. We seem to be pulling out of the depression. That is to the good, but, until private capital begins to flow in very much larger volume and until there is greater stability in the international situation, we cannot feel overly-encouraged on the demand side. It's more or less a continuation of the demand situation as we have had it during recent years. The day is coming, I am confident, when it will turn very suddenly and rapidly for the better, when private capital will flow in considerable volume and there will be much greater certainty in the international field, but I can't give you any especially favorable report at the present time.

Heavy supplies of farm products.—Now, what about the supply side? Let me run over that rapidly. As you know, the acre yields last year were unusually high on nearly all crops, wheat, corn, cotton, and so on, and the preliminary reports this year indicate the same kind of thing. We have had good weather, and partly because drought stores up nitrates in the soil and brings about good crops in years following, and partly because our soil conservation practices have resulted in our farming the better land and have restored fertility through the green manures plowed under, we have had definitely higher acre yields. That was to be expected and that is what we hope for, and it is good farming.

Let us examine the situation briefly with regard to the different crops. Cotton on August 1 had a carry-over of 13.4 million bales. The normal carry-over is 5 or 6 million bales. In other words, the carry-over now is more than twice the normal or about the same as an ordinary cotton crop. I wonder what the wheat farmers would think if they had a wheat carry-over of 800 million bushels, or the corn farmers if they had a carry-over at the end of the year of 2.5 billion bushels. Of course, cotton carry-over is normally larger relative to the cotton crop than are the carry-overs of wheat and corn to those crops. The cotton carry-over is extremely large, perhaps the largest we have ever had, due to the unusual crop of last year. The domestic consumption and the exports are going at a rate which in view of the estimated crop as of August 1, 1938, would not result in any decrease in the total supplies of American cotton a year hence. They would be about the same.

I think it's important for the farmers outside of the Cotton Belt to know about this because the cotton situation is perhaps the most difficult single situation with which we are faced. This year—that is, the crop year that closed August 1, 1938—we exported about 5.6 million bales of cotton. We exported only that much even though the price was down to about half of parity. Certain people have criticized our loans as interfering with exports. When prices get down to about half of parity, I don't care how much the loans interfere with exports. On the other hand, I think it's a very serious mistake to attempt in any

way, when prices are much above half of parity, to try to use loans to stabilize the price of cotton. For my part, I believe—economists will have to check me up on this, but I use my own methods of analysis that appeal to me—I believe that the loan program this past year has kept cotton from going to 4½ cents a pound. I am glad it did. But I am awfully glad we didn't have a loan of 10 cents a pound on cotton, just mighty glad. I think it would have been a serious mistake for the long-time welfare of the cotton farmer. We now have about 7 million bales of cotton tied up in the cotton loan. If those 7 million bales tied up under loan increase, what's going to happen some day? What are the American people going to say about it? This spring the cotton farmers planted 26.9 million acres, which is a cut of 22 percent from last year, and last year 34.4 million acres, a cut from a normal of about 40 million acres. I am saying that to some of you who live in sections of the country where you feel that very small cuts are very hard to talk about to your people.

Now, with regard to the cotton situation, you see, it is a very difficult one and there isn't any answer to it that doesn't have very great difficulties and disadvantages. There isn't any. It's easy enough to criticize the present program, but ask any critic to set up a program himself and see if that program doesn't have more difficulties in it than the present one. I think our present cotton program follows a true middle course.

Surplus wheat piling up.—Now, with regard to wheat. Wheat is trying to join cotton just as fast as possible. It's not quite there yet. For 4 years, as you know, we had average wheat crops of 582 million bushels—less than domestic consumption, all due to unfavorable weather. If we had had average yields per acre, there would have been over 800 million bushels a year during that 4-year period. Now, this year we have 956 million estimated and the second largest in the history of the country. We had a carry-over on July 1 of 180 million bushels. That contrasts with the normal carry-over of about 110 million bushels. So, it is quite possible that next July 1 we will have a carry-over on wheat the largest in the history of the country.

This last year, largely because of war scare, we had pretty good exports of wheat, 98 million bushels. We had about 20 percent of the world wheat trade this last year, which is a little less than the share of the world wheat trade we had in the decade of the twenties. That was pretty good. Last year, you know, Canada was hard hit by drought. We had an unusually favorable opportunity in the world market. The present prospects are that we won't have nearly as favorable an opportunity this coming year and there is a grave question as to whether we will be able to put more than 50 million bushels on the world market unless we take some special types of action designed to hold on to our fair share of the world wheat trade. A

year ago the price of wheat was about 55 cents a bushel higher than at the present time on the farms of the United States. The price of wheat a year ago was \$1.13. On July 15, this year, the last date for which an official figure was available, the farm price was 61 cents. That is 52 cents difference, and since that date the price of wheat has dropped. We have a loan, as you know, of about 60 cents a bushel on the farm. I am wondering what the setup is going to be next year if we have average yields on the 55 million acres. It will be a real problem. I won't attempt to answer it. The problem is going to be up to you for discussion and debate.

Now, with regard to the corn situation, as you know, we escaped the necessity for a referendum this fall by a margin of about 30 million bushels on the basis of the August 10 crop report. I suppose you have seen the reports in the papers about that. The crop would have had to be about 30 million bushels larger than it was to have made it necessary to have a vote on the marketing quotas. Due to the A. A. A. program and also to the plantings of wheat in the western and eastern parts of the Corn Belt, the corn acres this year were 92 million compared to the long-time average of a little over 100 million. But the A. A. A. program hasn't had the effect on wheat and corn that it has on cotton.

I would counsel that the wheat and corn people consider the job that the cotton people have done because the wheat and corn people may find it necessary, under the terms of the present agricultural legislation, a year or two hence to do somewhat the same kind of a job. Due to the fact that in the Corn and Wheat Belts definite efforts are being made to divide farmers among themselves, you have an extraordinarily difficult educational job to do. I am not urging you to do a political job. I have never urged the A. A. A. people to do a political job, but I think it is right and fair that you defend what you think and believe. It doesn't have anything to do with politics. Efforts have been made with ulterior purposes—sometimes they have come from the extreme left and sometimes they have come from the extreme right and sometimes they have come from other sources. I do urge you, indeed, not to engage in anything in the nature of partisanship, but to get out and work for that in which you believe. If you don't believe in it, don't accept a membership on the State committee. I am not speaking of the county committees, because those county committees are elected by the farmers themselves.

Program in interest of farmers.—As for myself, I wholeheartedly believe—and I didn't arrive at that by any partisanship method and I don't think any of you arrived at it by that way—I wholeheartedly believe that the program in which we are working is fundamentally, completely, and definitely, not only in the interest of farmers them-

selves, but just as definitely and fundamentally in the interests of the consumers of the whole Nation and the whole world. I am willing on any useful occasion to debate that with anybody. I believe it wholeheartedly and completely and I think you believe it also. We do have a job spreading our belief to others. I think this program really has a lot to do with saving this Nation from very great perils. If we allow ourselves to get into a 1932 situation again, we can't tell what will happen the second time. And if this program doesn't have wholehearted and genuine cooperation, we can easily get into a situation like that of 1932 or worse, in which we would have three times the normal carry-over of wheat, and three times the normal carry-over of cotton, with the prices down to 5 cents a pound on cotton, 30 cents on wheat, 3 cents on hogs.

I remember that in 1935 when talking to a group of Iowa farmers, I predicted that with business conditions as they were then and with ordinary weather, hogs by December of 1939 would be down to 5 cents a pound. Of course, I didn't foresee the drought of 1936, although I made allowance for something of that sort. As I look at the situation now, I would say that if it hadn't been for the drought of 1936 hogs would probably have been less than 5 cents a pound in December of this year on the average of the farms in the United States. I think we can vision the moment as soon as this corn crop has an effect on the supply of hogs, when hog prices can easily go far down unless we do have genuine and quite complete cooperation in our Ever-Normal Granary Program. We must control acreage and supplies and support the Government loans so that the speculators don't have the feeling that there is something there that they can shoot at and can dislodge as they did have in the case of wheat in the old Farm Board days.

I do hope you feel with respect to loans—whether on cotton or wheat or corn—that they are not designed to fix prices so much as they are to enable farmers to hold their stuff over on a very favorable basis until a time when they can sell on a more favorable market which may have to be created to some extent through their own efforts. If you here take a passive attitude toward the loans and if your county committees take a passive attitude toward the loans and if the farmers themselves take a passive attitude toward the loans, feeling that it's something given them by the Government, and that they have no responsibility for using those loans for their own welfare—in other words, if you and the county committees and the farmers feel that this is something of a price-fixing nature given by the Government to the farmers, in that case, the thing is going to end eventually just as disastrously as the Farm Board. The loans are not conceived in that way. They are intended to enable farmers to hold their products under unusually favorable conditions until such time as they, by their own

efforts, have created a favorable market—not an unusually favorable market, but a favorable market fair to the consumer. Farmers can't do anything unfair to the consumer under this act and I am glad they can't. They have got definite limitations there, but they can help themselves to keep from falling into any pit, and the heart of the thing is the Ever-Normal Granary, the loans, going along with the soil conservation program.

Butter stabilization plan.—A brief word on the dairy products. Dairy products eventually are going to get into the same kind of mess as hogs because their ups and downs flow out of the ups and downs of the corn crop. Give us 2 or 3 years of good corn crops and dairy products will be nearly as bad off as hogs, unless we have this Ever-Normal Granary Program in corn working properly. Dairy people are beginning to feel it now, though their situation is not as bad as that of the rest of the farmers on the export market whose prices are down to half of parity. Dairy prices are down to three-fourths.

We have got a combination of Commodity Credit Corporation and Federal Surplus Commodities Corporation working with dairy products whereby R. F. C. money has been loaned to a special agency which has been set up to buy butter. This agency has been loaned money to buy up to 50 million pounds of butter at a price not to exceed 75 percent of parity. Up to the present time this agency has bought 32 million pounds of butter which is now in storage. If this butter coming out of storage would have to be sold at a loss, the Surplus Commodities Corporation would take it over and give it to the people on relief. The total of dairy stocks in storage is the largest in history at the present time. Pastures are exceedingly good over practically the entire country, except for a few spots in the Dakotas and Nebraska, and a little strip in New York State. Taking the country as a whole, I suppose pastures were never better at this time of the year than they are right now. Dairy people have a problem that is almost but not quite as great as that faced by corn and wheat and cotton, and looking toward the future the dairy problem, I think, will be just as great. The dairy people have engaged in many types of activities which have enabled them to dodge the facing of some of their ultimates but fate has overtaken them, because the farm problem is ultimately one problem and no group can avoid the problem as a whole for long.

For a time the dairy folks had the big tuberculosis eradication program, and the Bang's disease eradication program. They had the discovery of the vitamin qualities in milk. They have been able to put across certain types of laws which gave them certain bargaining powers in certain areas, and certain advantages over competitive food products. They have done a great variety of things of that sort, but

the improvement in disease control, the improvement in breeding, the improvement in feeding methods, the long-time slant in corn production—all of these things eventually have their effect on dairy production. I hope the dairy people find a solution which recognizes that dairy products are of extraordinary significance to the health of the people of the cities and that they do not find a solution which will shut off large segments of the city population from dairy consumption.

The briefest word on tobacco. The flue-cured situation seems to be one of the brightest spots on the whole agricultural horizon. It looks as if the sales will be around 750 million pounds this year and it's about what the trade needs. It looks as if the price will be parity or better. The Burley situation is not quite as good, but even Burley tobacco is in pretty fair shape because of the unusual increase in the demand for cigarettes. There is a fairly good situation in flue-cured, moderately good in Burley, and rather bad in fire-cured and dark air-cured tobacco, because those tobaccos are on the world market to such a large extent and we have lost our world markets. Maryland tobacco is in trouble for the same reason. Cigar leaf tobacco is in trouble because we don't smoke as many cigars as we used to.

Substitute programs examined.—I am convinced that our present farm act is in essence just about what we ought to build on. I don't see any great changes to make in it but our present farm act is facing a very serious test. We have an opportunity now to see if we can make the Ever-Normal Granary really work. We have got the good weather, and supplies are piling up in the granary. Can we, for the sake of the Nation, for the sake of the farmers now and the sake of the consumers in the future, store up this stuff so it can come out of storage later on when we need it? We have a glorious opportunity to see if we can make the Ever-Normal Granary Program really work, provided we can stand off those people who would like to destroy this program.

There are people who urge other programs—some of them, I am quite confident, not in good faith. I am not talking about politics now. From certain economic motives, some people are urging other programs, endeavoring to destroy this program in the belief that eventually there will be no program and they might hope to benefit economically. I don't think they would benefit economically. As a matter of fact, these very people would destroy themselves economically if they attained their objectives. I think they are just foolish. But this machinery that we now have will be discarded, unless we get the farmers really to using it and using it in an understanding way, feeling that it is theirs. The Government is making the facilities available. Unless the farmers feel it is really theirs, it undoubtedly will be taken away from them. Many of you feel that the program can be improved in certain ways. I have no doubt that it can be.

However, I wish you would ask this about any extensive substitute program: Will it do any better in giving a fair share of the national income to farmers? Will it do any better in protecting consumers? Will it do any better in conserving the soil? Will it do any better in preserving long-time democracy in these United States? Ask that about any proposed substitute program.

Here are some of the things that are going to be urged. A number of price-fixing programs, undoubtedly, will be urged during this next winter, various types of export-dumping programs. Now, I don't think we ought to be dogmatic in turning our backs on any of those programs. Maybe there are good points here or there in them.

I would like to ask this, though, about those programs: Is it sound policy to attempt greatly to increase our production of export crops, to increase our exportation of soil fertility abroad and get nothing in return? All of these programs envision that we use American money so that we sell larger quantities of our stuff abroad without getting anything in return for those larger quantities. Now, is it worth while to plow up the hills of the South and the Great Plains—the hills of the South for cotton, the Great Plains of wheat, and the hills of the Corn Belt for corn—and allow that soil to wash into the rivers and lose billions of tons of topsoil into the rivers, and send hundreds of millions of tons of phosphorus, potassium, and nitrogen into the European markets, with the United States getting nothing back for it merely for the sake of making the railroads feel better, because they are hauling some stuff to the seaboards, and making certain exporters feel better? I think we should ask that question not in any emotional way. I put a certain amount of emotion into my statement because I wanted you to listen. That is the reason and I think the thing is profoundly important. Should we do that?

Other countries interested.—Now maybe there is a certain amount of it we should do, but in a long-time policy and in an extensive way. I just can't see it as a national program. I am wondering, as a matter of fact, whether we could even give the stuff away if we followed certain of the programs that are urged. I am wondering if we could actually get the increased quantities of stuff into any country in the world, because nearly every country in the world is trying to protect its farmers in as active a way as we are. They have countervailing duties to prevent export dumping. They have methods that they can use which they won't hesitate to use to keep obviously subsidized stuff out of the market.

Now, there are certain devices that can be used to get around that, though not in an extensive manner. But let us grant that we could do it in a wholesale way, give our stuff away to Great Britain, Germany, France, and Italy; grant that they would forget their policies of empire preference and this, fact, and the other thing, or policies

of being immune to war by having their own wheat; grant that all that were done and that we could get the stuff out and we could adhere to a program with the whole lid off; grant that we would stimulate our farmers to produce wheat to the limit by paying them to produce wheat, stimulate our farmers to produce cotton to the limit by paying them to produce cotton, to produce corn and hogs to the limit by paying them to produce corn; grant we would do that to the absolute limit and we could get rid of the stuff abroad at a low price, but nevertheless we could get rid of it; and grant that at the same time we are holding up the market price to the domestic consumer as envisioned under these programs, charging the domestic consumer a dollar a bushel for corn, charging \$12 or \$15 for hogs, 20 cents a pound for cotton—30 cents it is in some of the programs. Suppose we are charging the domestic consumer that and the foreign consumers were getting their stuff on the basis of 4 cents a pound for cotton and 10 cents a bushel for corn, 20 cents a bushel for wheat and \$3 a hundred for hogs. Suppose that were in operation. It seems inevitable that the domestic consumers within a few years—75 percent of this Nation is nonfarming—would complain because their cost of living is twice that of any place in most parts of the world. Of course, I don't think this thing would happen in just this way because I don't think these other countries would let us get that stuff into their markets. But if it did happen, consumers would complain and the thing would come to an end. You would have a situation as much worse than 1932, as 1932 was worse than today. The thing would come to an end like that, and there you would be with all those terrific surpluses, all those lands plowed up, a terrible mess. I just tremble to think what would happen to the farmers.

Is price fixing feasible?—Of course the first thing would be what would happen to the consumer. This program has been urged by various people as a program that would avoid scarcity and avoid regimentation. Actually it means scarcity to the poorer half of our people because under it the price would be held up much higher to all the people of the United States. They just simply buy less. It is a terrible threat to the bottom one-third in whom the President is much interested. These various price-fixing programs are scarcity programs in the worst sense of the term. I wouldn't say all of them, but the ones customarily urged are. And they would be the worst kind of regimentation programs. You would have to have regimentation of the farmers. All of them would have to have their quotas, just the same as now, every last one of them. Then you would have to regiment them with regard to when they could sell and where. Then you would have to regiment all the group of middlemen. I can't understand what gets into some of the middlemen pushing this

kind of thing, because you would have to regiment that entire group. Of course, it may be that for certain purposes it is a good thing to regiment the middlemen.

You don't want to close your minds entirely, but I am painting this in very broad strokes so that you get the general thought. We don't want to close the door in any prejudiced manner to any approaches of this sort. Maybe certain parts of it can be used. Maybe on a small scale with certain commodities it might be used for a limited purpose for a limited time. I can conceive, for instance, that we might possibly use a certain amount of export dumping with wheat. We have used it in the past in the Pacific Northwest. I don't want to see us do it in any wholesale way. If we did it with wheat, or with any export crop, I would want to see it done in the following manner so as to reconcile it with our present program: That we would, after examining our domestic situation—all elements in it—and the foreign situation, including the prospective world trade, reach the conclusion that our fair share based on history and prospects is about, we will say, 20 percent of the world wheat trade and that 1 year with another we are out to get that 20 percent. If we did that, we would say that we are going to use what devices are necessary to get that year after year. We would propose to contribute year after year 20 percent of the world wheat trade and would let it be known that we intend to use our Ever-Normal Granary so we can do that steadily year after year. We really want the cooperation of the other nations so that they will have an Ever-Normal Granary and we will all have a stable international wheat situation year after year.

Export subsidy considered.—Suppose we reach the conclusion that that is something sound and desirable and worth while. Now I can vision where for that limited purpose up to that amount, it might be worth while, perhaps, to have a certain amount of export subsidy on wheat. But it would have to be very carefully worked out and very carefully safeguarded, because if you say the sky is the limit on the thing, it would just break down so fast it would make your head swim.

With regard to price fixing, I can visualize its use in certain situations, especially with fruits and vegetables and possibly dairy products, in all of which modified forms of price fixing have already been used. Even on other farm products I can visualize where you might be able in connection with the present program to work out something that would make it possible to channel off into use by the poorer people of larger quantities of food than they are now getting. I just read the other day an article by Mr. Waugh, of our Bureau of Agricultural Economics, in the *Farm Economics Journal* of May 1938, in which this thesis is worked out from a theoretical economic point of view, demonstrating that with certain types of farm prod-

ucts which have a certain type of demand, it would be possible, by channeling off part of the products into use by the poorer people to bring about a situation where the farmers can produce more and get a greater net income. His demonstration is a very interesting one indeed and very suggestive and I think might work with certain types of products. With the monopoly controls of price that have been in existence, with the number of unemployed that has resulted from these monopoly controls, it seems necessary to bring in a certain type of governmental power to offset that situation for the benefit of these people that have been the victims of depression since 1930. I would suggest, insofar as there is price fixing agitation, that you become posted with this approach and direct that agitation into some constructive proposal of that sort, so that it is not used for purposes which I am convinced would be absolutely destructive to the farmers. It is so easy for a man who is interested in making a popular speech to urge a type of price fixing that sounds as though it avoids all of our present difficulties, when, as a matter of fact, it would fly right back in the face of the farmer and destroy him.

Yes, I think we can use the powers which we enjoy under the Federal Surplus Commodities Corporation and the money that is available from section 32 to make certain modifications in our program that may be very significant. I don't think we ought to be dogmatic about any of these things, but at any rate it seems to me we ought to keep an open mind. In all of this I am not suggesting that we make any extensive revision of our program. I think that in this present program we have the fundamental backbone of what we need in a well-rounded farm program. I am merely suggesting that, as there comes this push for export dumping and price fixing, that push be utilized for constructive purposes and not for destructive. I think a considerable part of the push—I don't know what percentage of it, there are a great many sincere people in it—I think a considerable part of it in the background is being engineered by people whose heart is not quite right. That doesn't mean that we can't get good out of it. I have seen it happen scores of times since I have been down here in Washington, that people with evil motives, utilizing other splendid people with very good motives, have produced situations which we have been able to use for constructive purposes. I know that all of you are wise enough in your human contacts so that you don't get ruffled or irritated when one of these things bobs up. Why, it is the breath of life to you. Otherwise you would stagnate. You wouldn't want a fate of that sort. I have heard folks call you gentlemen payrollers. One of the farm organization leaders, referring to this meeting, said, "Now when the payrollers come down to Washington, they will say so and so. They

are in favor of historic bases, and these dirt farmers out in the fields are in favor of another type of base. Now look out for those pay-rollers. They are thinking about what is easy, they are bureaucrats. You know they become bureaucrats like you folks in Washington."

Using opposition constructively.—Now, the thing that is going to save you is when opposition of the sort I am describing springs up. Oftentimes this opposition is inspired by people who have placed some money here and there. The farmers themselves don't know that, but when those things originate and you see them pop up here and there, you can trace the trail all right. You just welcome those things. They do your minds good and actually they do your program good. They give you a chance to explain. Use every one of those situations as a springboard to explain your program. You ought to welcome them. They are a source of education. Our colleges, too, ought to welcome those situations. They are all to the good.

Well, there are a lot of these things. There is the Spring Wheat Belt agitation. Those of you from the Spring Wheat Belt know that they want spring wheat to be give a special status as a separate commodity. Those of you from the Spring Wheat Belt know what is behind that, know all the forces at work there, the old-time traditional forces. It is an effort to break up the whole farm program by appealing to the prejudices of a particular region. The farmers who have the big vision don't fall for that kind of thing. In the Corn Belt there are a lot of people who are suspicious of the expansion of corn growing in the South. That is continually agitated. It is a favorite device of certain people who figure if they can only get the Corn Belt and Cotton Belt quarreling with each other, the farm program is a thing of the past. Then there are the efforts that are put forth continually in the dairy regions and in the beef cattle regions—claims that the farm program is hard on dairymen and hard on beef cattle producers, that it leads to an increase in dairy cows and beef cattle because there is an increase in pasture in the Corn Belt and in the Wheat Belt. That is played up continually, as evidenced by the Boileau Amendment. Again, it is an effort to break up the unity of the entire farm program. There are very unfair arguments used continually, appeals to the local prejudices, attempts to break up farm unity. Some of the eastern farmers would like—at least some of them claim that they would like—to see corn continually at 20 cents a bushel and they are against anything in the nature of a farm program. Now, I don't think the real eastern farmer feels that way. I don't believe it for a minute. I think that is just inspired stuff. I think the real eastern farmer can easily be sold on the soundness of our Ever-Normal Granary Program in corn as making for stability in dairy production and poultry production. As a matter of

fact, I know many of them are sold on its soundness and many of them are preaching the gospel. As a matter of fact, I heard what I thought was one of the broadest-visioned talks on farm unity and the Ever-Normal Granary for poultry that I have ever heard anywhere, in New York City by certain eastern farmers. It really amazed me.

Then, of course, some of these things that attempt to break up farm unity come from farmers themselves who just don't understand. There are certain types of opposition, purely political. And, of course, we are continually meeting with the difficulties that arise from court injunctions and decisions. There is a definite battle continually on that front. It is a battle and not all is absolute impartiality on that front. A lot of it goes back, we might say, to previous history. Yes, there is economic warfare in the courts, and don't forget it. It is going to be there for quite some time, until this Nation finds out what its long-time general welfare really consists in, until this Nation is reconciled to a unified farm program. There is going to be a lot of battling there. The Boston Milk Case, for example, is a very prominent one. Some of you from the other regions ought to post yourselves on it. The tobacco quotas are coming into the courts in Florida and Georgia. We don't know to what extent these court cases will affect the rest of the act. There are good separability provisions in the act. These cases may not hurt the act very much.

Now, in conclusion, I want to urge certain specific things on you—those of you that have to do with loans and the county committees have a lot to do with loans now under the present program. Do everything you can to see that the loans are good. Do a workmanlike job on the loans. It is vital to the long-time welfare of the Ever-Normal Granary Program. Do a workmanlike job on seeing that there definitely is genuine compliance with the program. The country is going to call us to account some day as to what we have got in terms of genuine improvement and soil fertility in return for all this money that has been spent. We have to do a real job there. I am afraid that some people have thought that all this was just an excuse for handing out money as a subsidy to the farmers. It is fine for the farmers to have the money, but we have to show the people of the United States, when they call us to account, that we have really done something to improve the fertility of these United States.

We have a real farm program—we have one now for the first time—which we can defend to anyone in any class of society. The most prominent question, the leading question, the question I want to leave with you is, Will the farmers themselves really get in and use this program?

